ADVANCING WASHINGTON'S INTERESTS

BUSINESS AND FINANCE

EDITED BY WILLIAM M. CONRAD

Some Trade Branches Are Brightening Up

Despite the low rate of ecenomic recovery there is now an increasing disposition to view the outlook hopefully, with recognition that the readjustment of the last year has strengthened the fundamental situation, says Dun's Review.

The movement of crops to market is serving to lessen the money stringency in the agricultural sections, and the sharp rise in cotton, while resulting from low production estimates, has stimulated renewed confidence in the South.

Irregularity in business and prices characterizes the steel situation, which has not fully maintained the small improvement of recent weeks. While sentiment continues hopeful, new orders are being released slowly and mainly for imperative needs. The current price movement for iron and steel is not uniform, it is poined out, advances in several grades of pig iron contrasting with further declines in other material.

With the striking rise in raw material, something of the fever of war time, the review states, has marked conditions in cotton goods. The rapid recovery in raw cotton has given encouragement to distributors in the South, who are beginning to order more freely than for months past.

The hide and leather situation, Dun's says, is better. Improvement in all instances is gradual and irregular, "but the trend is evidently in the right direction.

"The large sole leather tanner has again been in the market for domestic packer hides, and European interests have operated freely in frigorifico and some other stock at the River Plate. In the main, prices hold about steady, although transactions in calfskins have been effected at declines, both West and East. While leather business is far from active, with footwear manufacturers deferring purchases as long as possible, conditions reflect some betterment.

"That a rather urgent need for leather exists in some quarters is indicated by the requests for prompt deliveries, and shipments by express have been stipulated in certain cases. As the fall season approaches, more animation is shown in wholesale shoe circles, especially in the Middle West, and some buyers whose stocks are low have paid slight premiums to obtain supplies quickly.

"Resistance to a further lowering of wholesale commodity prices is becoming more pronounced, and this week twenty-nine recessions and fifty advances appear. A similar comparison for last week disclosed fifty reductions and thirty-eight increases, while sixty-two of the ninety-two changes in this week a year ago were downward.

MONEY AND TRADE

By GEORGE W. HINMAN.

CHICAGO, Sept. 3.—How rich are we?

On the answer to this question depends the burdens American business can bear the load that credit at American banks can carry, the taxation that the American Government can collect, the value of the securities that American enterprise can issue, the employment that can be given to American labor; in short, the whole structure and fabric of American necessity, comfort and welfare.

How rich, then, are we?

Two lines of literature are going through the country on the subject.

One is to the effect that we are so rich that nothing can prevent our growing richer; like a snowball in April, our wealth gains size whether rolling up hill or down.

The other is to the effect that we are rich but not growing richer, that to grow richer we must get down to business.

Worth of United States.

E. R. Ackerman, of New Jersey, has reckoned that the United States is worth at least $400,000,000,000. He quotes another's figures that are much higher—$500,000,000,000, or half a trillion. But to be conservative, he lops off a hundred billion.

The world's wealth has been estimated at $960,000,000,000; so, if Mr. Ackerman is exact, the United States has more than 40 per cent of the world's wealth.

That would be collossal!

But are the estimates correct?

In the last number of the Nation's Business, the economist of a large New York bank virtually answers: "No.".

He speaks of the "common opinion," that the wealth of the United States was increased enormously by the war, and adds flatly: "That is a fallacy." Why a fallacy? Before we entered the war, our wealth grew rapidly; after we entered it, our wealth was "checked rather than stimulated" in its growth.

That, in brief, is the argument. Somehow, a cursory glance over business in the United States today, a touching of elbows with financial men, a few interviews with manufacturers and investors would lead a person to say of the economist's argument: "It sounds so and feels so."

Inventory of Billions.

For several years before the war we grew richer at the rate of $10,000,000,000 a year.

Those are the census figures. We then were doing better than ever before; previously our gain in wealth had been at the rate of but $7,000,000,000 a year.

So it came that when war broke in Europe we counted our wealth as about $200,000,000,000, and when we entered the war we stretched the figures, with Mr. McAdoo's help, and advertised ourselves as worth $250,000,000,000.

All one has to do is to look over the inventory of these billions to see that it includes a lot of things that should not be there.

For the commonplace purposes of national business many of the items were but wind and water, but let that pass.

In the four years after we went into the war we spent more than $10,000,000,000 a year—spent it as unproductively, dissipated it as completely as if we had blown it to the four winds of heaven!

And these $10,000,000,000 just offset our yearly increase of wealth, as figured in the "statistical abstract of the United States," for 1920.

What happened to business and capital in the last two years does not have to be figured very closely to bring one to the conclusion that the New York economist is not far from right.

Economic Conditions.

A traveler in western Europe writes he is shocked by the inability of foreigners to realize the economic conditions in the United States.

Tell a Frenchman that America has trusted Europe for 60,000,000,000 paper francs in trade, and he exclaims, "How wonderful!"

Explain to him that America is loaded down with 55,000,000,000 paper francs in annual taxes and he replies, "What marvelous wealth!"

Set forth to him that the losses of the Shipping Board alone amount to 30,000,000,000 paper francs, to be paid by the people, and his only comment is: "What inexhaustible resources!"

What bearing such delusions have on international trade, business, loans, credits, on every sort of national and personal expenditure, is something that goes without saying.

Economy and thrift make poor headway against the towering illusion that we have twice as many billions as we had five years ago. It it natural that they should.

Every citizen is a stockholder in the United States. The United States is worth $400,000,000,000 to $500,000,000,000! that is the joint possession of us all, and the net debt, after subtracting what the allies owe us, is only 3¾ per cent!

Why worry?

The writer actually has that argument before his eyes as he writes in type and between covers.

When such things are afloat, in printed form, it certainly is worth while to pause a moment to consider, not only how rich we are, but how rich we are not.

ADVANCE SHOWN DURING WEEK IN EXCHANGE

Sterling Moved Forward More Than 5 Cents, While Francs Also Gain.

During past week, foreign exchanges generally recorded good gains. Sterling advanced about five cents, francs about $.0006, lire about $.0020. Marks were the exception, selling off about $.0003.

Bankers do not see any good reason for strength in exchanges at this time. As a matter of fact, many had expected declines owing to grain and cotton bills which will soon be coming on market in large numbers.

That marks did not advance with other exchanges is viewed as highly significant. Berlin dispatches said it was necessary to ship $8,000,000 gold marks which were part of the reserve of Reichsbank, to complete final payment on 1,000,000,000 marks due August 31. If this is true, it marks first large withdrawal against Reichsbank's reserves in more than a year.

Furthermore, bankers view this withdrawal as more significant as it may mean the beginning of a drive against Reichsbank's gold which may ultimately result in it being reduced to level of Austrian and Polish banks.

Gold reserve of a country is so linked up with the value of its currency that any further reduction of the Reichsbank's gold holdings will undoubtedly affect German exchange adversely.

B. & O. IS ACTIVE TO RESTORE FINANCES

Using Pruning Knife on Expenses in Move for Cleaning House.

Unless all the factors are given consideration current railroad net results are apt to prove misleading. For instance, last year in July some roads had begun to absorb large amounts of back pay into their transportation accounts under the retroactive wage award; others did not begin to take up the slack until August.

Baltimore and Ohio's operating expenses in July, 1920, included back pay of $6,500,000 under the Labor Board award. With the 12 per cent wage cut effective July 1, 1921, operating expenses of the road this year naturally showed a large reduction, both in the transportation account and in maintenance, amounting to $10,416,750.

The result was net operating income of $2,026,781 in July this year in contrast with an operating deficit of $5,799,909 in July, 1920. Baltimore and Ohio has, however, steadily built up its net earnings this year, in the face of the slump in gross, through paring down of expenses wherever possible and a sharp reduction in maintenance.

In the seven months ended July 31, Baltimore and Ohio's gross earnings were $6,090,420 less than for the corresponding period last year. This represented a decrease of 5.1 per cent. It should be noted in this connection that January, 1920, gross was swelled by the inclusion of $1,642,724 of back railway mail pay, applicable to the calendar years 1918 and 1919.

Operating expenses for the period show the remarkable reduction of $22,700,684, or 18.9 per cent. Of this reduction $17,586,585 was in maintenance and $5,916,673 was in transportation expenses. The net result was a net operating income of $9,657,246 for the seven months in contrast with a deficit of $5,414,563 for the corresponding period last year.

NEW CAPITAL ISSUES HAVE BIG AUG. TOTAL

Reach Sum of 1$38,929,800, While Corporate Financing Declines During Month.

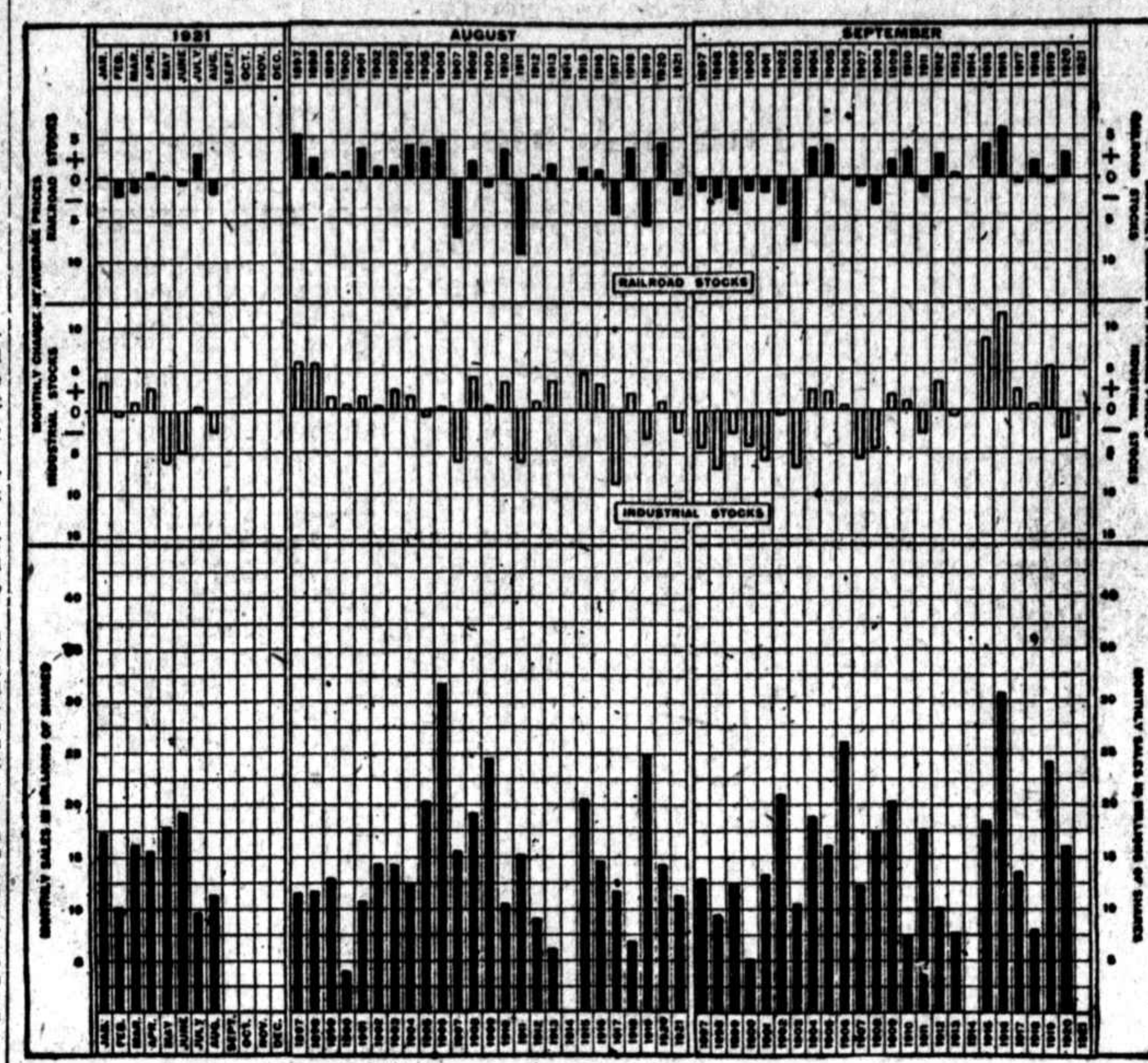
New corporate financing, including bond, note and capital stock issues by railroad, industrial, public utility and other American companies, reached a total value during August of $138,929,300, which is the smallest aggregate reported for any month since last March. The total in August a year ago was $168,135,700, while in July of the current year new capital issues amounted to $170,474,300.

Railroad issues figure in the returns for August to the extent of only $20,095,300, representing a decline of $32,618,900 as compared with the $53,714,200 reported in August a year ago. The loss is directly traceable to a falling off in bonds issued as stock and note issues increased somewhat. Industrial bond flotations increased $32,295,000 as compared with August, 1920, but offerings of stock and notes fell off, so that the gain over a year ago in financing by industrial corporations gained only $4,412,500.

Since January 1, the records maintained by The Journal of Commerce show that new investment offerings have aggregated $1,751,655,700, compared with $2,209,206,500 during the first eight months of 1920, a decrease of $451,550,800. Comparison of financing by the railroads reveals an increase of $206,387,900 in bond issues and a decline of $73,095,100 in note issues, partly compensating this gain. Industrial corporate financing registered a decline of $591,955,500 notwithstanding a gain of $324,465,600 in bond offerings. The records indicate a marked preference for long-term issues in 1921 as compared with a predominance of notes and stocks, notably in the case of industrial financing, a year ago.

Two items in the list of authorizations last month are of special current interest. The Interborough Rapid Transit Company obtained permission to arrange the extension for one year at 8 per cent of the $38,144,400 three-year 7 per cent notes maturing today and upon its ability successfully to make this arrangement, the outcome of the present bankruptcy proceedings is expected to depend. Considerably more than half of the notes have already come in under the agreement. Stern Bros. will pay today a 33 1-3 per cent stock dividend, following the vote by stockholders last month increasing its capital by $4,000,000.

Course of the Stock Market



U. S. Must Borrow Big Sum to Pay Notes

The Government shortly will be forced to ask the American people to subscribe to a huge loan of from $7,500,000,000 to $8,000,000,000, members of the Senate Finance Committee believe.

This sum will be required by 1923 to pay back to American citizens the money they have already loaned Uncle Sam and for which they hold Victory notes, war savings stamps and short-time certificates of indebtedness. These obligations must be paid in cash and to obtain this huge sum a new loan must be floated.

Appeals probably will be made to these bondholders to exchange their holdings for the new bonds. In other words, according to Senators, the Government finds itself unable to pay off any of this debt and must renew it for a further term of years.

"There is absolutely no way around this," said Senator Smoot, the first official to make this statement publicly, though Treasury officials and members of Congress have for a long time faced the certainty that it will be impossible to raise enough money by taxation between now and 1923 to retire any considerable portion of the short term indebtedness.

"We'll be lucky if we get enough revenue to meet current expenses and obligations," said Smoot. "We must refund the 1923 debt. There won't be enough taxes to touch it, even if we keep the heavy burden on the American people they are now bearing."

When it became apparent that domestic revenues would not provide sinking fund to meet the 1923 debts, officials sought some way of collecting from Europe enough of the $11,000,000,000 owed the United States to help out. The Treasury still hopes that will be possible. It is merely a hope, however.

Deflation Shown In Reserve Banks Figures

Repeated statements that improvement that has taken place in the Federal reserve system is largely due to increase in gold held do not seem to be supported by actual figures.

Although it is unquestionably true that there has been an impressive inflow of the yellow metal, nevertheless the liquidation in loans has been substantially larger, as will be seen from the following table:

COMBINED FEDERAL RESERVE SYSTEM.

	Decrease compared with year ago.	P. C. decrease.
Total reserves	*$623,631,000	*29.39
Discounts secured by Govt. oblig.	741,940,000	57.00
All other discounts	365,392,000	27.72
Bills bought in open market	278,655,000	86.92
Total bills on hand	$1,385,987,000	47.00
Securities held	58,757,000	19.33
Uncollected items	253,369,000	32.25
Government deposits	35,949,000	65.41
Member bank deposits	172,105,000	9.59
All other deposits	14,163,000	31.51
Total deposits	$222,217,000	13.2
Federal Res. notes in actual circ.	671,083,000	21.13
Deferred availability items	132,974,000	22.49

*Increase.

It may be noted that total bills on hand, for the combined system, decreased approximately six times as much as deposits. This has been made possible through the imports of gold, which have been deposited in the Federal reserve banks, and offsets the losses that might be normally expected when banks liquidate their obligations to the system.

Investors' Service

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INVESTORS' INFORMATION SERVICE
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Exchanged Bonds for Higher Yield.

L. H.—I owned $1,000 Great Northern Railway general mortgage 7s, 1936; $1,000 E. I. du Pont de Nemours 7½, 1931, and $1,000 American Telephone and Telegraph 6s, 1924.

I have exchanged these bonds for the following: Portland Railway Light and Power 7½s, 1946; French Republic 7½s, 1941, and Humble Oil 7s, 1923.

I should like to ask your opinion if I made a wise move.

The man from whom I obtained the first investment, on June 30, told me I would gain in the transaction between $30 and $40 and secure a higher rate of income yield.

Answer—The bonds you held and the bonds you have secured in exchange are good investments.

In making the exchange you get $15 more interest and an average of longer maturity. But these advantages are very small.

We don't advise you to exchange your Humble Oil bond for Standard Oil stock.

But owing to the short maturity of these notes it might be advisable to swap for a Canadian Northern Railway Company twenty-five 6½ per cent sinking fund gold debenture bond.

These bonds do not mature until 1946, and are issued under a proviso that they will not be called until that date.

They are guaranteed principal and interest by the Dominion of Canada.

As you already have one French bond that is enough.

Big Investors Again Coming Into 'Pennsy'

For the first time since November, 1916, the list of stockholders of the Pennsylvania railroad showed on August 1 a decrease as compared with the preceding month. Number of holders on August 1 was 140,778, as compared with 141,075 on July 1, a decrease of 297. The list, however, shows an increase of 7,710 stockholders since the first of the year and an increase of 13,383, as compared with August 1, 1920.

SAMUEL REA.

After nearly five straight years of monthly increases in number of stockholders, under the presidency of Samuel Rea, the decrease registered during the month of July indicates that big holders who had previously sold out or reduced their holdings, probably with the view of establishing losses for tax purposes, are buying back into the property and re-establishing their position.

In December, 1919, sales of Pennsylvania were very heavy and indications were that the bulk of the sales were to establish losses. In that month the number of stockholders increased by 2,946.

Pennsylvania shares ranged that month shows 40, so that holders who sold at that time have been able to replace their stock recently to advantage, as the price this year got as low as 32⅜, and for a long time ranged around 35.

The greatest gain in stockholders in any one month this year was in March, when 2,927 new names were added to the books.

In that month the stock broke sharply, touching 32½, and there was heavy buying in odd lots by small investors.

Since then the number of new stockholders has shown a decrease in each succeeding month until July, when buying by large investors exceeded number of sellers and resulted in net decrease in the number of holders.

Treasury Certificates.

The market for Treasury certificates continues strong, all issues being quoted at a premium. The three-year notes, which were sold June of this year to yield 5¾ per cent, are now selling to yield 5:34 per cent. Other issues show equal improvement.

The day to day fluctuations in these issues are so small and the tendency upward has been so constant, that when call money rates drop to 4½ per cent, as it has done this week, quotations for Treasury certificates immediately become firm.

Following are bid and asked prices, together with approximate yields on outstanding issues:

Month	P.C.	Asked.	Approx. yield.
1921:			
October	5½	100⅛	4.25
October	5¾	100 5-32	4.21
*December	6	100½	4.11
1922:			
February	5½	100¼	4.90
*March	5¼	100 5-32	4.93
*March	5¾	100 13-32	4.90
*June	5½	100¼	5.12
August	5½	100⅛	5.16
1924:			
*June	5¾	101	5.34

*Acceptable in payment of Federal taxes on the dates of maturity.

Back from Vacation.

W. R. Nagel, cashier of the Exchange Bank of Washington, is again at his desk after a vacation of several weeks.

Liberty Bonds Outstanding.

Liberty bonds and Victory notes outstanding August 31 aggregated $18,036,999,950, and compare with amounts outstanding July 31 and original issues, as follows (last three figures omitted):

	Aug. 31	Orig. Issue
1st Lib. Loan	$1,952,208	$1,989,455
2d Lib. Loan	2,315,302	3,807,865
3d Lib. Loan	3,610,197	4,175,650
4th Lib. Loan	6,353,119	6,964,581
Victory Notes	3,806,172	4,495,374
Total	$18,036,999	$20,432,925